



Development Feasibility

One of the central challenges of a regional smart growth strategy is creating new development patterns that can be feasibly developed by the private sector. The concept of development feasibility has several dimensions, including the marketability of compact housing products, physical “fit” within available land supply, and the generation of sufficient financial returns to stimulate private investment. This paper analyzes development feasibility across these dimensions for each Alternative compared to the 2020 Base Case.

Overall Mix of Unit Types by 2020

In 1990, approximately 60 percent of the Bay Area’s total housing stock was built as single family units. However, during the 1990s, approximately 66 percent of the new units built were single family, changing the overall mix of built housing stock in the region by 2000 to 62 percent single family. This trend varied substantially by county; for example, 84 percent of Solano County’s new units built in the 1990s were single family, compared to 50 percent of Santa Clara County’s and just 10 percent of San Francisco’s new units.

ABAG’s 2020 Base Case forecasts that 67 percent of total units to be added to the region’s housing stock between 2000 and 2020 will be single family, resulting in an overall housing stock of 63 percent single family units by 2020, a slight increase in the proportion of single family homes compared to 2000.

All of the Alternatives envision a shift in the single/multifamily construction pattern over the next 20 years, to varying degrees. Alternative 1 envisions that only 26 percent of new housing units would be single family, Alternative 2 envisions 39 percent single family, and Alternative 3 envisions 50 percent single family. The addition of these new units in these proportions would slightly alter the overall regional housing stock mix by 2020 to 54 percent single family in Alternative 1, 57 percent in Alternative 2, and 59 percent in Alternative 3. Single family homes would still be the predominant unit type under all three alternatives throughout the region, but in slightly lower proportions than exist today or under the Base Case.

Change in Unit Mix 2000 to 2020

	Base Case		Alternative 1		Alternative 2		Alternative 3	
	SF	MF	SF	MF	SF	MF	SF	MF
Increase 2000-2020	67%	33%	26%	74%	39%	61%	50%	50%
Total Units in 2020	63%	37%	54%	46%	57%	43%	59%	41%

Source: ABAG Projections 2000, BAE, 2002 based on Round 1 Alternatives.

Marketability

The most substantial change envisioned by the Alternatives is the shift away from single family homes to more compact housing products, along with place types that mix housing with other uses. Many developers and elected officials question if demand for housing from Bay Area households would support these shifts in unit types. There is a strong belief that households prefer the traditional “American Dream” of a single family detached home. For example, the Home Builders Association (HBA) of Northern California commissioned a study of subdivision shoppers regarding unit type preferences¹. Of the 223 responses, approximately 43 percent were “mainly considering a single family home,” while 26 percent said they were “considering single and multifamily products equally,” and another 28 percent fell between these two statements on an opinion scale. At the same time, 61 percent expressed a willingness to drive up to 20 miles further if housing were more affordable (which the HBA study interpreted as explaining the interest in distant, less expensive single family units such as those found outside the region in San Joaquin County and other locations).

However, in the same HBA-commissioned survey, when subdivision shoppers were asked about their interest in housing near their workplace, 42 percent indicated that they would be willing to pay “less or equal” for “higher density, attached housing near” their jobs. This same interest in minimizing commute distances in exchange for accepting more compact housing types has been found in more localized studies conducted for downtown Oakland and downtown South San Francisco², where employees in nearby office centers strongly confirmed this type of demand, particularly among market segments such as young single households and empty nesters.

On a national level, community preferences have also been explored by studies seeking to define acceptance of New Urbanist design principles, which include smaller lots and more compact development types. One study of 2,000 buyers of both newly constructed and resale homes noted “Often what buyers want is NOT what they get. One of the main reasons behind this is that they couldn’t find what they wanted in their markets.”³ This study found that homebuyers wanted less sprawl and more “small town” pedestrian-oriented shopping and gathering places, while at the same time were concerned about privacy and noise, and disliked the notion of narrower streets. This conundrum regarding seemingly conflicting buyer preferences has been addressed through innovative New Urbanist community design, with several studies indicating that buyers will pay a premium for communities that successfully resolve the conflicting goals of compact development, desire for privacy, and creation of “place.”⁴

¹ HBA News, June 2000. Note that the findings from this survey may have been skewed by the origin of the survey sample, taken from people shopping for housing in single family subdivisions.

² *Old Town Square Market Feasibility Study* (BAE 1997), and *Demand for Downtown Housing in South San Francisco* (BAE, 2000).

³ *Community Preferences: What the Buyers Really Want in Design, Features, and Amenities* (American LIVES, Inc., 1999).

⁴ *Valuing The New Urbanism* (Urban Land Institute, 1999)

Another view of the future is that more buyers and renters are rediscovering the attraction of urban living, whether to minimize commute distances or experience the cultural richness of established urban places. Immigrant population increases are also contributing to this urban trend. In 1998, the Brookings Institute found a “back to the city” trend occurring within cities’ downtowns⁵, and subsequent analysis by the U.S. Census found that of the 20 largest cities in the U.S., 16 gained population between 1990 and 2000⁶, reversing trends of population loss in earlier decades.

Researchers have found that households attracted to urban infill housing products tend to be young singles, childless couples, empty nesters, and the elderly. The Bay Area is expected to undergo a dramatic change in its age composition in the next 20 years, portending a potential rise in demand for urban infill and compact housing preferences. For example, due primarily to the aging of “baby boomers,” the cohorts of 50 to 64 year olds and 65 to 74 year olds are expected to increase dramatically, rising by 522,000 and 461,500 people, respectively between 2000 and 2020. At the same time, the young adults age 20 to 24 will rise by over 100,000 people. Only an additional 10,600 children are anticipated during the 20 year period, and the typical “move up” home buyers aged 35 to 44 are expected to decline by more than 284,000.

Age Distribution for Region 2000 to 2020

Age	2000	2020	Increase	% Increase
0-19	1,899,900	1,910,500	10,600	0.6%
20-24	410,000	511,300	101,300	24.7%
25-34	929,900	1,049,300	119,400	12.8%
35-44	1,214,100	929,800	(284,300)	-23.4%
45-49	546,400	445,700	(100,700)	-18.4%
50-64	1,118,000	1,640,000	522,000	46.7%
65-74	421,300	882,800	461,500	109.5%
75-79	169,100	267,900	98,800	58.4%
80+	230,900	389,600	158,700	68.7%

Source: ABAG Projections 2000, BAE, 2002.

As these demographic patterns shift in the Bay Area, demand for a wide variety of housing types will likely appear, including compact housing near workplaces, small single family attached units with limited maintenance, “granny flats” or second units within established single family neighborhoods, and various types of senior housing.

⁵ *Downtown Rebound* (Brookings Institution, 2000)

⁶ *Urban Infill Housing, Myth and Fact* (Urban Land Institute, 2001).

Available Land Supply

The Round 1 workshops for the Smart Growth Strategy encouraged participants to envision future Bay Area development patterns without explicit regard for the physical “fit” of the visions on the ground. Following the workshops, analysis of the Alternatives compared the resulting place type densities and desired development patterns to on-the-ground land supply, based on inventories of vacant land.⁷ The goal of this “fit” analysis was to determine the amount of acres that would need to be redeveloped to accommodate the Alternative, due to the limited supply of vacant land to accommodate new development.

Because the Place Types used in the workshops were described in terms of ranges of density for households and jobs, the physical “fit” analysis explored development at two density levels – average (the mid-point of the range for each Place Type), and high (the upper end of the density range for each Place Type). The analysis further assumed that to house the increment of new growth in jobs and households, all vacant land would be developed first, with “redevelopment” of acres within the designated Planning Areas occurring only to accommodate the remaining growth. It should be noted that the analysis conducted for this paper relied on “vacant” and “improved” land designations by street address as delineated by Metroscan, based on County Assessors’ parcel databases for each of the nine counties. When land is designated “improved” in this context, it may still be underutilized (e.g., a single family house on a large parcel, or parking lot improvements), resulting in a categorization as redeveloped land for purposes of this analysis. Thus, redevelopment does not necessarily mean wholesale demolition of existing usable structures – depending on which Place Type was assumed in each Planning Area per Alternative, accommodating the new growth beyond vacant land could easily be accomplished by small in-fill projects in many locations. Further, the analysis does not account for General Plan or zoning designations, or the myriad of other constraints on development, in keeping with the visioning aspect of the Round 1 workshops. A much more fine-grained analysis of actual land uses, underutilized land parcels, and compact development feasibility would be needed across the region to more fully ascertain the level of redevelopment needed to accommodate the Alternatives.

In 2000, the Bay Area region had a total of 681,000 developed acres within the nine counties⁸. The “fit” analysis found that at the average density level, Alternative 1 would require 2,984 vacant acres and 32,799 “redeveloped” acres to accommodate the growth envisioned, which means that just 5 percent of total Bay Area land mass would be experiencing some form of new development. At the upper end of the density range, Alternative 1 would require only 22,952 redeveloped acres in addition to vacant land. The total land consumption to accommodate new growth under Alternative 1 was the lowest among the Alternatives, due to the intensity of new development occurring in downtown core areas under this scenario. Alternative 2 would require development of 10,291 acres of vacant land, plus 43,161 redeveloped acres under an average density assumption, and just 27,305 redeveloped acres under a high density assumption.

⁷ Per Metroscan data based on county assessors’ parcel databases for each of the nine counties. Data collected in early 2001.

⁸ Ibid.



Alternative 3 would require development of 13,944 vacant acres, plus 75,363 redeveloped acres under an average density scenario, and just 45,124 acres under a high density scenario. Thus, the overall number of total acres needed to be developed (including vacant plus redeveloped acres) ranges from approximately 26,000 to 89,000 acres, depending on the level of density assumed and the specific development pattern envisioned by each Alternative.

Acres of Land Need to Fit Alternatives

	Vacant Acres	Acres Redeveloped At Average Density	Acres Redeveloped at High Density
Alt 1	2,994	32,799	22,952
Alt 2	10,291	43,161	27,305
Alt 3	13,944	75,363	45,124

Source: BAE, 2002, based on analysis of Metroscan data and Round 1 Alternatives.

Financial Feasibility

The financial feasibility of new development in the region will vary substantially by location, timing, economic and local market conditions, land prices, construction costs, regulatory environment, financial requirements of the development and investment communities, and a host of other factors. Due to the complexity and variability of each of these factors, this analysis does not analyze the financial returns of future development projects. However, it is important to note that each Place Type used during the workshop process was based on multiple real-world examples of the type of development present within the Bay Area region.

To broadly assess the likelihood of achieving financial feasibility across the Alternatives, this analysis focused on the broad categories of current land uses present in the Planning Areas designated for new development, as well as the proportions of vacant land to redeveloped land needed to accommodate the growth envisioned.

Each Alternative envisions using a different mix of existing land to accommodate new growth. Alternative 1 concentrates new growth in downtown core areas, employment centers, and existing mixed-use areas. With only 2,984 acres of vacant land identified to accommodate this development in the Planning Areas designated for change, a higher proportion of total acres needed to accommodate growth would come from redevelopment of relatively expensive sites in downtowns and employment centers. If average density ranges for each Place Type are achieved, 92 percent of this Alternative's land would need to come from supply that is already improved (albeit some parcels underutilized), likely creating the most difficult overall financial feasibility challenges among the Alternatives.

Alternative 2 would likely create a less challenging financial situation than Alternative 1, due to its lowest reliance on redeveloping acreage and its balanced mix of sites within downtowns, residential neighborhoods, mixed use areas, employment centers, and large underutilized sites

such as former military bases. Alternative 3, with its strong reliance on development of large underutilized sites throughout the region, would result in more large scale development projects, which also may face lesser financial challenges than the other Alternatives.

Thus, when considered relative to each other, Alternative 1 would likely face the most difficult overall financial feasibility challenges, with lesser challenges faced by Alternatives 2, and the fewest challenges faced by Alternative 3.

Acres Needed By Existing Type

		Redevelopment At High Density			Redevelopment at Average Density		
	Vacant	Redeveloped	Total	Percent	Redeveloped	Total	Percent
Alternative 1	Acres	Acres	Acres	of Total	Acres	Acres	of Total
Downtown/Town Center	780	3,314	4,095	16%	4,860	5,640	16%
Employment Center	427	6,738	7,165	28%	9,967	10,394	29%
Large Underused Site	532	4,742	5,274	20%	7,245	7,777	22%
Mixed-Use	443	4,108	4,550	18%	5,411	5,853	16%
Residential	811	4,051	4,863	19%	5,317	6,128	17%
Total	2,994	22,952	25,946	100%	32,799	35,793	100%
% of Total Acres Needed		88%			92%		
Alternative 2							
Downtown/Town Center	2,098	3,192	5,290	14%	5,777	7,875	15%
Employment Center	3,610	7,755	11,365	30%	13,052	16,662	31%
Large Underused Site	1,610	6,324	7,934	21%	10,264	11,874	22%
Mixed-Use	1,172	4,935	6,107	16%	6,985	8,157	15%
Residential	1,801	5,098	6,899	18%	7,083	8,884	17%
Total	10,291	27,305	37,596	100%	43,161	53,452	100%
% Of Total Acres Needec		73%			81%		
Alternative 3							
Downtown/Town Center	1,876	2,565	4,441	8%	4,395	6,271	7%
Employment Center	3,801	9,866	13,667	23%	16,534	20,335	23%
Large Underused Site	3,329	23,453	26,782	45%	39,213	42,542	48%
Mixed-Use	750	3,249	3,999	7%	5,113	5,863	7%
Residential	4,188	5,991	10,179	17%	10,109	14,297	16%
Total	13,944	45,124	59,068	100%	75,363	89,307	100%
% of Total Acres Needed		76%			84%		

Source: BAE, 2002, based on analysis of Metroscan data and Round 1 Alternatives.